

CLERK OF THE COURT OF COMMON PLEAS

MONROE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO APRIL 24, 2005

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Independent Auditor's Report

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the accompanying statement of receipts and disbursements – cash basis of the Clerk of The Court of Common Pleas, Butler County, Pennsylvania (County Officer), for the period January 1, 2002 to April 24, 2005, pursuant to the requirements of Section 401(b) and 902 of *The Fiscal Code*. This financial statement is the responsibility of the county office's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statement was prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statement presents only the Commonwealth portion of cash receipts and disbursements and is not intended to present fairly the financial position and results of operations of the County Officer, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County Officer, as of April 24, 2005, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Department of Revenue and other state agencies for the period January 1, 2002 to April 24, 2005, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statement of the County Officer taken as a whole. The accompanying Schedule 1 for the period January 1, 2002 to April 24, 2005, is supplemental information required by the Department of Revenue and is not a required part of the financial statement. The information in that schedule has been subjected to the procedures applied in the audit of the financial statement, and in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of the County Officer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

August 31, 2006

JACK WAGNER
Auditor General

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Receipts:

Department of Transportation		
Title 75 Fines	\$	58,853
Department of Revenue Court Costs		55,685
Crime Commission Costs/Victim Witness Services Costs		94,928
Crime Victims Compensation costs - Adult		79,767
Crime Victims Compensation costs - Juvenile		22,089
Department of Public Welfare		
Domestic Violence Costs		13,586
Costs		567
Office of Inspector General Costs		12,966
State Police Costs		1,582
Office of Attorney General Costs		1,755
Department of Transportation Costs		1,504
Department of Conservation and Natural Resources Fines		2,540
Department of Revenue Costs		8,595
Emergency Medical Services Fines		8,206
DUI - ARD/EMS Fees		23,340
CAT/MCARE Fund Surcharges		103,673
Judicial Computer System/Access to Justice Fees		24,596
Offender Supervision Fees		385,247
Constable Service Surcharges		81
Criminal Laboratory Users' Fees		2,107
Probation and Parole Officers' Firearm Education Costs		14,593
Substance Abuse Education Costs		10,495
Office of Victims' Services Costs		5,113
Miscellaneous State Fines and Costs		<u>63,344</u>
Total receipts (Note 2)	\$	995,212
Disbursements to Commonwealth (Note 3)		<u>(998,421)</u>
Balance due Commonwealth (County) per settled reports (Note 4)		(3,209)
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2002 to April 24, 2005	\$	<u>(3,209)</u>

Notes to the financial statement are an integral part of this report.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statement was prepared in accordance with the requirements of the Pennsylvania Department of Revenue. This financial statement is not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statement was prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has been prepared in accordance with Title 72 P.S. Section 401 (b) of *The Fiscal Code*, which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Department of Revenue with a report to enable them to settle an account covering any delinquency. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the Clerk of the Court of Common Pleas. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

Receipts are comprised of fines, costs, fees, and surcharges collected on behalf of the Department of Revenue and other state agencies. These fines, costs, fees, and surcharges represent collections made on summary and criminal cases filed with the Clerk of The Court of Common Pleas' Office.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

3. Disbursements

Total disbursements are comprised as follows:

Clerk of The Court checks issued to:

Department of Revenue	\$967,131
Department of Public Welfare	567
Office of Inspector General	12,966
State Police	1,582
Office of Attorney General	1,755
Department of Transportation	1,504
Bureau of Forensic Services	1,570
Department of Conservation and Natural Resources	2,540
Office of Victims' Services	4,567
Miscellaneous State Agencies	<u>4,239</u>
 Total Disbursements	 <u>\$998,421</u>

4. Balance Due Commonwealth (County) For The Period January 1, 2002 To April 24, 2005

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies.

5. County Officer Serving During Audit Period

George J. Warden served as the Clerk of The Court of Common Pleas for the period January 1, 2002 to April 24, 2005.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
SCHEDULE 1
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

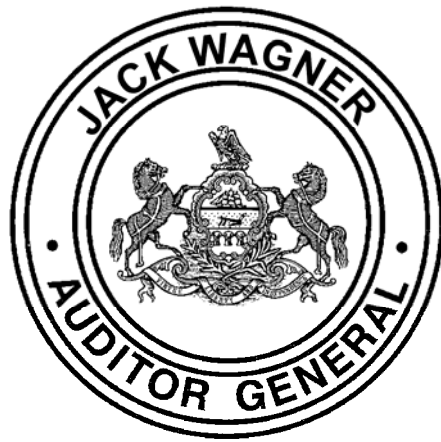
Schedule 1 - Reconciliation Of Settled Reports

Date of Summary of Collections Report	Balance Due - Settled Reports Dept. of Revenue (County)	Adjustments	Adjusted Balance Due Dept. of Revenue (County)
2002			
January	\$ (25)	\$ -	\$ (25)
February	(328)	-	(328)
March	(520)	-	(520)
April	-	-	-
May	-	-	-
June	(55)	-	(55)
July	(45)	-	(45)
August	(91)	-	(91)
September	(115)	-	(115)
October	-	-	-
November	(5)	-	(5)
December	(313)	-	(313)
2003			
January	(195)	-	(195)
February	-	-	-
March	(90)	-	(90)
April	(64)	-	(64)
May	(275)	-	(275)
June	(30)	-	(30)
July	(75)	-	(75)
August	(80)	-	(80)
September	-	-	-
October	(377)	-	(377)
November	-	-	-
December	-	-	-

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
SCHEDULE 1
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Schedule 1 - Reconciliation Of Settled Reports (Continued)

Date of Summary of Collections Report	Balance Due - Settled Reports Dept. of Revenue (County)	Adjustments	Adjusted Balance Due Dept. of Revenue (County)
2004			
January	\$ (25)	\$ -	\$ (25)
February	-	-	-
March	(164)	-	(164)
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	(127)	-	(127)
December	-	-	-
2005			
January	(100)	-	(100)
February	-	-	-
March	(100)	-	(100)
April	(10)	-	(10)
Balance due Department of Revenue (County) per settled reports			(3,209)
Audit adjustments			-
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to April 24, 2005			\$ (3,209)



Report On Compliance And On
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the statement of receipts and disbursements – cash basis of the Clerk of The Court of Common Pleas, Butler County, Pennsylvania (County Officer), for the period January 1, 2002 to April 24, 2005, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County Officer's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, our tests disclosed the following immaterial instance of noncompliance:

- Inadequate Assessment And Distribution Of Costs, Fees, And Surcharges.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Officer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over

Report On Compliance And On
Internal Control Over Financial Reporting (Continued)

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County Officer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition described in the finding is as follows:

- Inadequate Internal Controls Over The Bank Account.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness.

We are concerned in light of the County Officer's failure to correct a previously reported audit finding. The County Officer should strive to implement the recommendation and corrective action noted in this audit report. We noted several significant weaknesses in the internal controls over the bank account that need corrective action. These significant deficiencies increase the potential for funds to be lost, stolen, or misappropriated.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

August 31, 2006

JACK WAGNER
Auditor General

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Finding No. 1 - Inadequate Assessment And Distribution Of Costs, Fees, And Surcharges

Our audit disclosed that the Clerk of The Court of Common Pleas did not properly assess or distribute certain costs, fees, and surcharges as mandated by law. Of 90 cases tested, we noted the following discrepancies:

- Of 30 cases in which a Substance Abuse Education and Demand Reduction Fund Cost should have been assessed, 18 cases did not have the cost assessed.
- Of 12 cases in which the Substance Abuse Education and Demand Reduction Fund Cost was assessed correctly, 7 cases did not have the proper distribution of the cost. There were 2 cases in which 100% of the costs was distributed to the county and 5 cases in which 100% of the costs was distributed to the Commonwealth.
- Of 49 cases in which Department of Revenue court costs should have been assessed, 15 cases did not have the correct amount of costs assessed. The cases were under assessed this cost by using old rates.
- Of 49 cases in which a Judicial Computer System/Access To Justice (JCS/ATJ) Fee was assessed, 13 cases were incorrectly assessed on DUI cases which had an Accelerated Rehabilitative Disposition (ARD).
- Of 48 cases in which a Catastrophic Fund Surcharge should have been assessed, 1 case did not have it assessed at all and on 5 cases the amount of the surcharge was under assessed.

The improper assessing of these fines and costs resulted in the defendant not being assessed, the proper amount of fines and costs associated with the violation; which caused a loss of revenue to the Commonwealth and/or County. The improper distribution of costs resulted in the county and Commonwealth not receiving the proper amount of costs associated with the violation.

These incorrect assessments occurred because the office was not aware or up-to-date on laws and regulations regarding the proper assessment of Commonwealth costs, fees, and surcharges. In many of the errors involving the distribution of the Substance Abuse Education and Demand Reduction Fund Cost, the Clerk of Courts was following the Court's order.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Finding No. 1 - Inadequate Assessment And Distribution Of Costs, Fees, And Surcharges
(Continued)

The following state statutes address the assessment of costs, fees, and surcharges that were not properly assessed:

- Title 18 § 7508 provides for the collection of Substance Abuse Education Costs. A \$100 cost is assessed on DUI offenses and on all drug related offenses covered in the Controlled Substance, Drug, Device and Cosmetic Act. Also DUI offenses in which the offender's blood alcohol level is greater than .16% require an additional \$200 cost. These collections should be distributed 50/50 between the County and Commonwealth.
- Title 42 Pa. C.S.A. § 1725.1 provides for the collection of Department of Revenue court costs in varying amounts depending on whether the violation is a summary, misdemeanor, or felony including ARD dispositions.
- Title 42 Pa. C.S.A. § 3733 provides for the collection of JCS/ATJ Fees. It should be noted that these fees should not be assessed on ARD cases.
- Title 75 Pa. C.S.A. § 6506(a) provides for the collection of the Catastrophic Fund Surcharge.

Recommendation

We recommend that The Clerk of The Court of Common Pleas review the appropriate laws and regulations to ensure that costs, fees, and surcharges are properly assessed and distributed as mandated by law.

Auditee Response

The Clerk of The Court of Common Pleas responded as follows:

Many of the errors pertaining to assessed Fines, Costs, Fees, Surcharges and their distribution were due to procedure (in place) prior to my taking office. Furthermore, in many of the cases, the Office was simply following the assessment (or distribution) per the Court order. Management concurs that all such assessments and distributions should be per state statute.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Finding No. 2 - Inadequate Internal Controls Over The Bank Account

Our review of the accounting records for the office of The Clerk of The Court of Common Pleas revealed the following deficiencies:

- Monthly bank reconciliations were not prepared. This condition was cited in the prior audit for the period ending December 31, 2001.
- Checking account balances have not been maintained. This condition was cited in the prior audit for the period ending December 31, 2001.
- There was no accountability over undisbursed funds. A cash overage of approximately \$38,050 existed in the account at April 24, 2005. This condition was cited in the prior audit for the period ending December 31, 2001.
- The list of outstanding checks was inaccurate and listed 684 outstanding checks totaling \$54,795 at April 24, 2005. However, our audit identified an additional 9 checks for \$56,286 that were not included on the Clerk's list of outstanding checks.
- Stale check procedures were not always followed. There were 546 stale checks totaling \$29,770 in the bank account dated from August 21, 1995 to September 30, 2004 that were still outstanding as of April 24, 2005. Many of these stale checks were issued to Monroe County, other government agencies, and local attorneys. This condition was cited in our last four audit periods, the most recent ending December 31, 2001.

These conditions existed because the office failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- Bank reconciliations are prepared as soon as the bank statement is received.
- A checkbook balance is properly maintained.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

Finding No. 2 - Inadequate Internal Controls Over The Bank Account (Continued)

- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, county, and other participating entities, all available cash on hand should equal unpaid obligations.
- The list of outstanding checks accurately reflects all checks that have not been cashed by the bank.
- Adequate procedures are established to follow-up on all stale checks. If a check is outstanding for a period of 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be reinstated to the checking account and remitted to the county's escheat account at the end of the month.

Without a good system of internal controls over the bank account, the potential is increased that funds could be lost, stolen, or misappropriated.

Recommendation

We again recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above.

Auditee Response

The Clerk of The Court of Common Pleas responded as follows:

We agree that internal controls over the bank account need to be improved. While some of the deficiencies noted in the audit were inherited from the prior Officeholder (i.e. stale checks and cash overages), we have already begun to take corrective action.

For example, we agree that monthly bank reconciliations should be initiated with the book balance being reconciled to the bank balance. Monthly reconciliations of the account will begin immediately.

CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

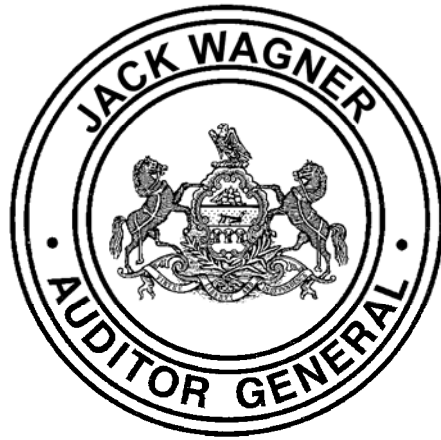
Finding No. 2 - Inadequate Internal Controls Over The Bank Account (Continued)

Auditee Response (Continued)

The office is already in the process of clearing out all stale checks, based on the recommended procedures for handling said checks. Also, we will immediately establish a separate bail account and transfer all identified bail monies into this new account.

Auditor's Conclusion

We appreciate the current officeholder's effort to correct these conditions. We strongly recommend that the current officeholder take all corrective actions necessary to comply with all our recommendations. The failure to implement the recommended procedures increase the potential for funds to be lost, stolen, or misappropriated.



CLERK OF THE COURT OF COMMON PLEAS
MONROE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2002 TO APRIL 24, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

Mr. Richard Dash
Chief Officer of Fiscal Services
Pennsylvania Board of Probation and Parole
1101 South Front Street
Harrisburg, PA 17104-2520

The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

Clerk of The Court of Common Pleas
Monroe County
Monroe County Courthouse
Monroe, PA 18360

The Honorable George J. Warden	Clerk of The Court of Common Pleas
The Honorable Marlo A. Merhige	Controller
The Honorable Donna M. Asure	Chairwoman of the Board

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.